RESPONSE TO THE AUDITOR GENERAL

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Beginning in 2008, the Auditor General will report twice a year on the scope and findings of the work carried out by the Office of the Auditor General. The following are the numbered recommendations in the Auditor General's second semiannual report titled Report of the Auditor General of Alberta – October 2008 and the government's response to each of them, including areas that are clearly matters of public policy, which are the responsibility of the Government and outside the purview of the Auditor General.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Chief executive officer selection, evaluation and compensation	
1. Guidance We recommend that the Deputy Minister of Executive Council through the Agency Governance Secretariat assist agencies and departments by providing guidance in the areas of CEO selection, evaluation and compensation.	**Accepted in principle**. The Secretariat will work collaboratively with Treasury Board and Corporate Human Resources (CHR), to develop the capacity to provide consistent information and guidance on good practices in the areas of CEO selection, evaluation and compensation. A work plan to implement this recommendation will be completed by the end of the 2009-10 fiscal year.
2. Accountability We recommend the Agency Governance Secretariat, on behalf of Ministers, annually obtain information from agencies on CEO evaluation and compensation processes to assess if good practices are being consistently followed. The results of these systems assessments should be reported to Ministers, who should then hold boards of directors accountable for their decisions.	**Accepted in principle**. Implementing this recommendation will require close collaboration between the Secretariat, Treasury Board and CHR, as well as consultation with departments and agencies. A work plan to implement this recommendation will be completed by the end of the 2009-10 fiscal year.
3. CEO compensation disclosure We recommend that the Treasury Board consider applying the new private-sector compensation-disclosure requirement to the Alberta public sector.	**Under review.** As the new disclosure requirement applies to publicly traded companies and income trusts, the Department of Treasury Board will review whether the new private-sector compensation disclosure requirement is applicable to the Alberta public sector.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Protecting information assets	
4. Central Security Office To secure the Government of Alberta's information, we recommend that Executive Council ensures that a central security office is immediately established to oversee (develop, communicate, implement, monitor and enforce) all aspects of information security for organizations using the government's shared information technology infrastructure.	**Accepted.** Through the Information Management and Technology strategy approved by the Agenda and Priorities Committee and Cabinet in July 2008, the Ministry of Service Alberta has the necessary policy and authority structures to implement this recommendation. The Ministry of Service Alberta has appointed a director to oversee all aspects of an information security program for government's shared technology infrastructure. A cross ministry committee has been recently established to oversee the development of improved security policies and directives, and will include a member from Executive Council.
5. Develop standards and policies to ensure web applications are built to required standards We recommend that the Ministry of Service Alberta, in conjunction with all ministries and through the Chief Information Officer (CIO) Council, develop and implement well-designed and effective controls to ensure all Government of Alberta web applications consistently meet all security standards and requirements.	**Accepted.** Through the Corporate Chief Information Officer and in consultation with ministries and their Chief Information Officers (CIOs), the Ministry of Service Alberta has implemented controls and is developing policies and practices to ensure web applications are regularly reviewed and evaluated for security considerations. This will be completed by March 2009. The Ministry of Service Alberta is also working to ensure compliance to policy, directives and best practices.
6. Review and improve the GOA's shared computing infrastructure policies, procedures, and standards We recommend that the Ministry of Service Alberta work with all ministries and through the Chief Information Officer (CIO) Council, to develop and implement policies, procedures, standards, and well-designed control activities for the Government of Alberta's shared computing network.	**Accepted.** The Ministry of Service Alberta is updating policies and directives regarding security policy, procedures, standards and control activities. The policy work will be completed by the end of 2008-09. Substantial consolidation and coordination of security operations functions are underway across government, along with greater oversight and accountability.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
7. Ongoing monitoring and surveillance We recommend that the Ministry of Service Alberta, in conjunction with all ministries and through the Chief Information Officer (CIO) Council, update network surveillance methods to detect and investigate the presence of unauthorized wireless access points within the Government of Alberta.	**Accepted.** The Ministry of Service Alberta is reviewing information security policies and directives, and updating them based on international standards and best practices. The policy update will be completed by fiscal year end 2008-09.
8. Physical security We recommend that the Ministry of Service Alberta work with the Ministry of Infrastructure, in conjunction with all ministries and through the Chief Information Officer (CIO) Council, to improve: • physical security controls at data facilities. • logging of access to data facilities by implementing effective controls to track access.	**Accepted.** The Ministry of Service Alberta will continue to collaborate with the Ministry of Infrastructure and work in conjunction with all ministries to improve physical security controls at data facilities. This includes logging of access to data facilities by implementing effective controls to track access. Physical security in all remote sites will be improved by end of fiscal 2008-09.
Alberta's response to climate change	
9. Planning We recommend that the Ministry of Environment improve Alberta's response to climate change by: • establishing overall criteria for selecting climate-change actions. • creating and maintaining a master implementation plan for the actions necessary to meet the emissions-intensity target for 2020 and the emissions-reduction target for 2050. • corroborating — through modeling or other analysis — that the actions chosen by the Ministry result in Alberta being on track for achieving its targets for 2020 and 2050.	**Policy matters are outside the purview of the Auditor General.** Alberta's response to climate change is a matter of public policy. The Ministry of Environment is developing a master implementation plan for achieving the 2020 and 2050 targets, including key decision milestones and a process for identifying, selecting and assessing potential actions in fiscal year 2009-10.
10. Monitoring processes We recommend that for each major action in the 2008 Climate Change Strategy, the Ministry of Environment evaluate the action's effect in achieving Alberta's climate change goals.	**Accepted.** As part of the master implementation plan, the process for developing programs will include expectations (as part of an accountability framework) for ongoing reporting against the stated objectives. This will be linked to the actions taken in overall public reporting. Monitoring will commence when actions are implemented, which will begin as early as fiscal year 2009-10.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
11. Public reporting We recommend that the Ministry of Environment improve the reliability, comparability and relevance of its public reporting on Alberta's success and costs incurred in meeting climate change targets.	**Accepted**. The Ministry of Environment will develop a methodology with an appropriate data set identified in support of a new performance measure for climate change. Reporting is planned to commence in fiscal year 2010-11.
ATB Financial–treasury management	
12. Business rules and operating procedures We recommend that Alberta Treasury Branches develop and document the business rules and operating procedures required to implement the improved investment policy being developed.	**Accepted**. Alberta Treasury Branches has revised the previous investment policy in consultation with an international accounting firm. The investment policy was approved by the Board in August 2008. Business rules and operating procedures required to implement the new investment policy have been developed and are expected to be implemented by March 2009.
13. Liquidity contingency plan We recommend that Alberta Treasury Branches develop a comprehensive liquidity contingency plan to be better prepared for a liquidity crisis and to fully comply with Alberta Finance and Enterprise's Liquidity Guideline. The plan should be updated and approved regularly.	**Accepted**. Alberta Treasury Branches has commenced a recruitment process for a newly created senior management role to focus on the issue of liquidity. Liquidity contingency planning will be enhanced by September 2009.
14. Interest rate risk reporting We recommend that Alberta Treasury Branches provide better – more qualitative and quantitative – reporting to senior management and the Board on its interest rate risk management.	**Accepted**. Alberta Treasury Branches' (ATB) Treasury Department plans to supplement the current interest rate risk reporting with additional scenario analysis and possibly new measurement methodologies. This additional information will be developed with input from the Senior Asset Liability Committee (Senior ALCO) and is expected to provide an enhanced view of ATB's interest rate exposure. This process will be initiated by March 2009 and completed by September 2009.
15. Role of ALCO We recommend that Alberta Treasury Branches review the role of the Asset Liability Committee (ALCO) and consider restructuring it into two tiers.	**Accepted**. Alberta Treasury Branches has restructured the Asset Liability Committee (ALCO) into two tiers, one tactical (ALCO) and one strategic (Senior ALCO). The first meeting of Senior ALCO occurred in early November 2008.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Alberta's mental health service delivery system	
16. Mental health standards We recommend that the Department of Health and Wellness and Alberta Health Services create provincial standards for mental health services in Alberta.	**Policy matters are outside the purview of the Auditor General**. Alberta Health Services (AHS) supports and works with Alberta Health and Wellness in developing evidence based standards when required as a component of mental health policy development. The Department of Health and Wellness, in conjunction with AHS and the Department of Children and Youth Services, has developed access standards for children's mental health. Over the next three years, the Department of Health and Wellness and AHS will identify and develop standards for mental health services as needed.
17. Housing and supportive living We recommend that Alberta Health Services encourage mental health housing development and provide supportive living programs so mental health clients can recover in the community.	**Policy matters are outside the purview of the Auditor General**. Determining the appropriate programs and the amount of public funding for mental health housing development and supportive living programs are matters of public policy. Alberta Health Services (AHS) would require support for housing alternatives, supportive living programs and community based innovations from other ministries. As part of their supportive living mandate, AHS is coordinating housing and supportive living programs within their case management approach.
18. Clients with concurrent disorders We recommend that Alberta Health Services strengthen integrated treatment for clients with severe concurrent disorders (mental health issues combined with addiction issues).	**Accepted**. Alberta Health Services' responsibility for the Alberta Alcohol and Drug Abuse Commission and the Alberta Mental Health Board has enhanced the opportunity to integrate services for these clients. Alberta Health Services will further develop best practices based on the good models that already exist within the service delivery system. The Alberta Health Services' implementation plan will be developed by Spring 2009.
19. Opportunities to reduce gaps in service We recommend that Alberta Health Services reduce gaps in mental health delivery services by enhancing: • mental health professionals at points of entry to the system; • coordinated intake; • specialized programs in medium-sized cities; and • transition management between hospital and community care.	**Accepted**. Alberta Health Services will develop an implementation plan to address this recommendation by Spring 2009.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Advanced Education and Technology	
20. University of Alberta – Improve investment controls	
We recommend that the University of Alberta: • provide increased levels of detail on investments to the Investment Committee to facilitate the monitoring of the University's investments, and • implement approval procedures for new investment vehicles.	**Accepted**. The University of Alberta will work with the Board Investment Committee to develop a more comprehensive process for reporting and approving investments.
21. University of Calgary – Improving the University's decentralized control environment	
We recommend that the University of Calgary improve the effectiveness of its control environment by: • assessing whether the current mix of centralized and decentralized controls is appropriate to meet its business needs. • defining clear roles, responsibilities and accountabilities for control systems' design, implementation, and monitoring. • documenting its decentralized control environment and implementing training programs to ensure those responsible for business processes have adequate knowledge to perform their duties. • monitoring decentralized controls to ensure processes operate effectively.	**Accepted**. The University of Calgary is currently conducting a process evaluation. University management will review the results along with the current model to determine whether changes are appropriate.
22. University of Calgary – PeopleSoft security – recommendation repeated	
We again recommend that the University of Calgary improve controls in the PeopleSoft system by: • finalizing and implementing the security policy and the security design document, and • ensuring that user access privileges are consistent with both the user's business requirements and the security policy.	**Accepted**. The University of Calgary is currently developing detailed action plans for each recommendation. These plans are to be incorporated into the Chief Information Officer's 2008-12 Strategic Vision and Business Plan.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
23. All universities – Review accounting treatment for Universities Academic Pension Plan for all universities	
We recommend that the four Alberta universities continue to work together – and with the Department of Advanced Education and Technology – to review the accounting treatment for the unfunded liability of the Universities Academic Pension Plan.	**Accepted**. The four Alberta universities and the Department of Advanced Education and Technology are committed to working towards an approach on how to account for the Universities Academic Pension Plan prior to the universities' 2008-09 financial year end.
Employment, Immigration and Industry	
24. Monitoring and enforcement of training providers	
We recommend that the Department of Employment and Immigration improve its monitoring of tuition-based training providers by: • assessing whether performance expectations are being met. • quantifying tuition refunds that may be owing to the Department. • implementing policies and procedures that outline steps and timelines for dealing with non-compliance problems.	**Accepted**. The Department of Employment and Immigration has formed a working group to provide direction in the development of the Quality Assurance/Compliance policy which will define regional and corporate roles, enforcement actions, timing and sanctions to be applied for non-compliance situations. Development of the new assessment model is in progress and is expected to be completed by March 2009.
Energy	
25. Alberta's Bioenergy Programs	
We recommend that the Department of Energy: • undertake and document its analysis to quantify the environmental benefits of potential bioenergy technologies to be supported in Alberta. • establish adherence to the Nine Point Bioenergy Plan as a criterion within its bioenergy project review protocol, and require grant applications to indicate the projected environmental benefits of proposed projects. • prior to awarding grants in support of plant construction, require successful applicants to quantify – with a life cycle assessment – the positive environmental impact relative to comparable non-renewable energy products.	**Accepted**. The Department of Energy has revised the bioenergy grant contracts to require all new applicants to quantify the positive environmental benefits. An estimate of the environmental benefits to Alberta bioenergy technologies and projects will be completed by the end of fiscal year 2009-10.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
26. Strengthen controls to detect and prevent errors in reporting of royalty liable fuel gas volumes We recommend that the Department of Energy: • strengthen controls to prevent fuel gas volumes being incorrectly reported in the Petroleum Registry of Alberta and to detect incorrect reporting; • improve its detection and monitoring processes over fuel gas volume amendments.	**Accepted.** The Department of Energy has reassigned resources to strengthen the controls and procedures used to detect and prevent incorrect reporting of fuel gas volumes. These controls and procedures will be implemented by the end of fiscal year 2009-10.
27. Climate Change and Emissions Management Fund We recommend that the Ministry implement processes to comply with the Department of Treasury Board's deadlines for completing the financial statements of the Climate Change and Emissions Management Fund. We also recommend that the Ministry's management prepare the Fund's financial statements on an accrual basis.	**Accepted**. The Ministry of Environment is working with staff from the Office of the Auditor General and the Department of Treasury Board to address issues related to the financial statements. Target for resolution is fiscal year 2008-09.
Finance	
28. Financial reporting processes and succession planning – Investment Accounting and Reporting Group We recommend that the Investment Accounting and Reporting group (IAR) of the Department of Finance and Enterprise improve the timeliness of its financial reporting and assess IAR workloads by: • recruiting sufficient people with expertise in investment accounting; • ensuring time budgets allow for increases in the number of investment pools, complexity of investment transactions, staff absences, management review and correction of errors; • creating a management succession plan.	**Accepted in principle**. The Department of Finance and Enterprise restructured the Financial Services area in 2007-08, refocusing existing resources to meet priorities and ensure current skills were being utilized most effectively. Budget 2008 provided increased funds for additional staff to address some of the pressures in the current year. Management will also investigate broader innovative strategies to manage the workload and establish succession plans in 2009-10.
29. ATB – Action plans to resolve internal control weaknesses identified by ATB's internal control group We recommend that Alberta Treasury Branches validate and approve business processes and internal control documentation developed by its internal control group and implement plans to resolve identified internal control weaknesses.	**Accepted in principle**. Alberta Treasury Branches has documented nearly all medium to high risk processes and is in the process of integrating the internal control documentation activities and operational risk self-assessment. The focus over the next one to two years will be around this integration and to more fully understand the operating risks, since this is a larger risk exposure.

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30. ATB – Criminal record checks We recommend that Alberta Treasury Branches improve its hiring processes to ensure that criminal record checks are completed before people start working for it.	**Accepted**. Alberta Treasury Branches revised the commencement process to require all commencement information be received, including the completion and authorization of the criminal check consent form, before an employee number is issued from the payroll system. All offers of employment are conditional based on satisfactory completion of a criminal check.
31. ATB – Securitization policy and business rules We recommend that Alberta Treasury Branches develop and implement a securitization policy and securitization business rules.	**Accepted**. Alberta Treasury Branches has drafted a Securitization Policy and it is anticipated that the Policy will be presented to the Board for approval by the end of the calendar year. Management's current expectation is that the documentation supporting roles, responsibilities and procedures will be completed by March 2009.
32. AIMCo – Internal control certification We recommend that Alberta Investment Management Corporation introduce a process to prepare for internal control certification by: • ensuring that its strategic plan includes internal control certification. • developing a top-down, risk-based process for internal control design. • selecting an appropriate internal control risk-assessment framework. • considering sub-certification processes, with direct reports to the Chief Executive Officer and Chief Financial Officer providing formal certification on their areas of responsibility. • ensuring that management compensation systems incorporate the requirement for good internal control. • using a phased approach to assess the design and operating effectiveness of internal controls.	**Accepted in principle**. Alberta Investment Management Corporation plans to introduce a process to get the organization ready for internal control certification in the work plan for fiscal 2009-10. After an assessment of work effort required, a firm commitment on completion can be made.
33. AIMCo – Ensuring completeness and accuracy of private equity partnership investments – recommendation repeated We again recommend that Alberta Investment Management Corporation reconcile its investments in private equity partnerships to the audited partnership financial statements.	**Accepted.** Alberta Investment Management Corporation has hired an additional Private Investments Administrator to address the reconciliations between investments in private equity partnerships and the audited partnership financial statements.

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34. AIMCo – International Swaps and Derivatives Association Agreements We recommend that Alberta Investment Management Corporation regularly review its International Swaps and Derivatives Association agreements to ensure that they protect it from the risk of default by its counterparties. We also recommend that the Corporation document the reasons for any changes to the standard form of the agreement.	**Accepted**. Alberta Investment Management Corporation and the Department of Finance and Enterprise, Treasury Management will jointly implement procedures to document any deviations from the standard International Swaps and Derivatives Association agreements and conduct periodic reviews to ensure agreements are adequate for the counterparty's current credit ratings. It is anticipated these new procedures will be in place by March 2009.
Health and Wellness	
35. Compliance monitoring activities We recommend that the Department of Health and Wellness complete a comprehensive risk assessment and develop a risk based plan to improve the effectiveness of its compliance monitoring activities.	**Accepted**. The Department of Health and Wellness has recruited an Executive Director to ensure appropriate leadership and knowledge exists within the compliance monitoring function. The Department of Health and Wellness has also contracted an Enterprise Risk Management consultant to develop a risk assessment framework to provide guidance to the overall approach to risk management. This framework is to be completed by March 2009.
36. Province Wide Services We recommend that the Department of Health and Wellness: • define the role and the responsibilities of the Province Wide Services Advisory Committee. • update the Province Wide Services Funding Procedures and Definitions Manual and follow it.	**Under Review**. The Department of Heath and Wellness is currently re-evaluating the future strategy with respect to Province Wide Services in light of the decision to alter the form of health services delivery through Alberta Health Services.
Municipal Affairs and Housing	
37. *ME first!* Program We recommend that the Department of Municipal Affairs assess the effect on greenhouse gas emissions of the energy savings that resulted from the projects funded by the Department's *ME first!* Program and that the Department report the lessons learned from this program to the Departments involved in creating climate change programs.	**Accepted**. The Department of Municipal Affairs will report on the effect on greenhouse gas emissions and report on the lessons learned from the *ME first!* Program. An action plan is in place to obtain the outstanding Energy Reduction Confirmation Reports by December 2009. The lessons learned will be shared with the other departments involved in creating climate change programs by June 2010.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Service Alberta	
38. Service Alberta's role as a central processor of transactions	
We recommend that the Ministry of Service Alberta consider providing internal control assurance to its client ministries on its centralized processing of transactions.	**Accepted.** By the end of 2008-09, the Ministry of Service Alberta will work with the cross government finance community to develop a plan to provide assurance over its centralized processing of transactions.
Sustainable Resource Development	
39. Controls over revenue	
We recommend that the Department of Sustainable Resource Development put processes in place to allow significant revenues currently recorded when cash is received to be recorded when revenue is due to the Crown.	**Accepted.** The Department of Sustainable Resource Development is reviewing options and by March 2009, will implement a process to ensure revenues are recorded in the year they are earned.
40. Enforcement of reclamation obligations	
We recommend that the Department of Sustainable Resource Development improve processes for inspecting aggregate holdings on public land and enforcing land reclamation requirements.	**Accepted**. During the 2008 field season, the Department of Sustainable Resource Development implemented a new Land Management Inspection Protocol which provides a consistent, risk based approach to all land use inspections. To improve enforcement, a new sand and gravel policy requires that lease renewals be based on the lessee performance, including reclamation obligations.
41. Flat fee security deposit	
We recommend that the Department of Sustainable Resource Development assess the sufficiency of security deposits collected under agreements to complete reclamation requirements.	**Accepted**. The Department of Sustainable Resource Development is considering increases to security deposits and other tools such as performance bonds, judicious use of Ministerial Orders under the *Environmental Protection and Enhancement Act*, and conditions for lease renewal based on inspections of the lease-holder's performance to fully reflect reclamation costs. Improvements will be implemented by March 2010.
42. Royalty rates for sand and gravel	
We recommend that the Department of Sustainable Resource Development assess whether current royalty rates for aggregate resources on public lands meet the aggregate allocation program goals and objectives.	**Accepted**. The Department of Sustainable Resource Development is conducting a rate review during fiscal year 2008-09.